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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam
(*Biweekly*)

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CENTRAL INTELLIGENCE AGENCY
Directorate of IntelligenceThe Economic Situation in South VietnamSummary

Industrial output in South Vietnam increased at a record rate of 25 percent in 1969. The textile industry, which suffered heavy losses of plant and equipment during the 1968 offensives, achieved some of the largest gains.

Shortages of funds and supplies at the Central Office of South Vietnam (COSVN) apparently have led to orders for an austerity drive by subordinate Viet Cong units near Saigon.

For the first time in many weeks retail prices in Saigon declined. The USAID index declined four percent during the two weeks ending 3 August. Black market currency and gold prices remained generally stable.

ANNEX

Monthly and Weekly Currency and Gold Prices (Graph)

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Industrial Production

1. Industrial output in South Vietnam grew at a record rate in 1969. According to the official index of industrial production, output increased 25 percent in 1969 compared with an average annual rate of 13.7 percent during 1963-67 and a decline of 9 percent in 1968 when many facilities were severely damaged during the enemy offensives. Of the most important industrial products (see table), output of all but one--cigarettes--not only exceeded the relatively low level of 1968 but surpassed that of 1967. It is not clear why cigarette production failed to regain the 1967 level, but there is some evidence that the supply of American cigarettes on the black market increased in 1969.

	<u>Unit of Measure</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Cotton Yarn	(000 m.t.)	7.4	5.0	7.6
Cotton Fabric	(mil mtrs)	43.1	28.5	50.4
Beer	(mil ltrs)	130.0	119.4	134.2
Soft Drinks	(mil ltrs)	89.5	92.3	120.4
Refined Sugar	(000 m.t.)	90.3	96.1	108.4
Cigarettes	(000 m.t.)	11.3	10.3	10.5
Glass Bottles	(000 m.t.)	12.5	10.1	16.5
Paper and Paperboard	(000 m.t.)	20.8	19.6	33.2
Cement	(000 m.t.)	180.8	144.7	247.2
Electric Power	(mil kwh)	681.8	715.2	1,045.4

2. The textile industry, which was hardest hit during the 1968 offensives, was able to make a quick recovery thanks to US and Vietnamese government loans and increased domestic procurement of cloth by the Vietnamese Army. During the first quarter of 1970 output continued to grow at a rapid rate with production of cotton yarn and fabric increasing 65 and 9 percent, respectively, above the level of the first quarter of 1969.

3. With the exception of cotton fabric, cement production made the largest gain (71 percent) in 1969.

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There is only one producer in the country, the government-owned Ha Tien Cement Co., which has a clinker plant in Kien Giang Province and a grinding facility at Thu Duc near Saigon. Ha Tien's production declined considerably in 1968 because poor security conditions reduced demand for building materials and impeded shipments of clinker from the delta to the Thu Duc grinding plant. In 1969 the company produced about 35 percent of the country's commercial supply of cement and currently is negotiating with a French firm to increase by two thirds the capacity of the Thu Duc plant.

Viet Cong Austerity Campaign Near Saigon

4. The Viet Cong (VC) in one area near Saigon have ordered sharp reductions in expenditures and in the use of certain supplies as a result of problems caused by the allied incursion into Cambodia.

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5. The retrenchment in SR-5 probably reflects shortages of funds and supplies at a higher level of command, i.e., the Central Office of South Vietnam (COSVN), since the roughly 3,000 combat and support personnel of SR-5 are heavily dependent on COSVN subsidies. Although the extent of COSVN support is unknown, it probably approximates that of nearby SR-1 where at least 90 percent of total operating funds have been obtained from COSVN. Any attempt by SR-5, therefore, to operate with only minimum support from COSVN would seriously hamper enemy activities in that area.

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Prices

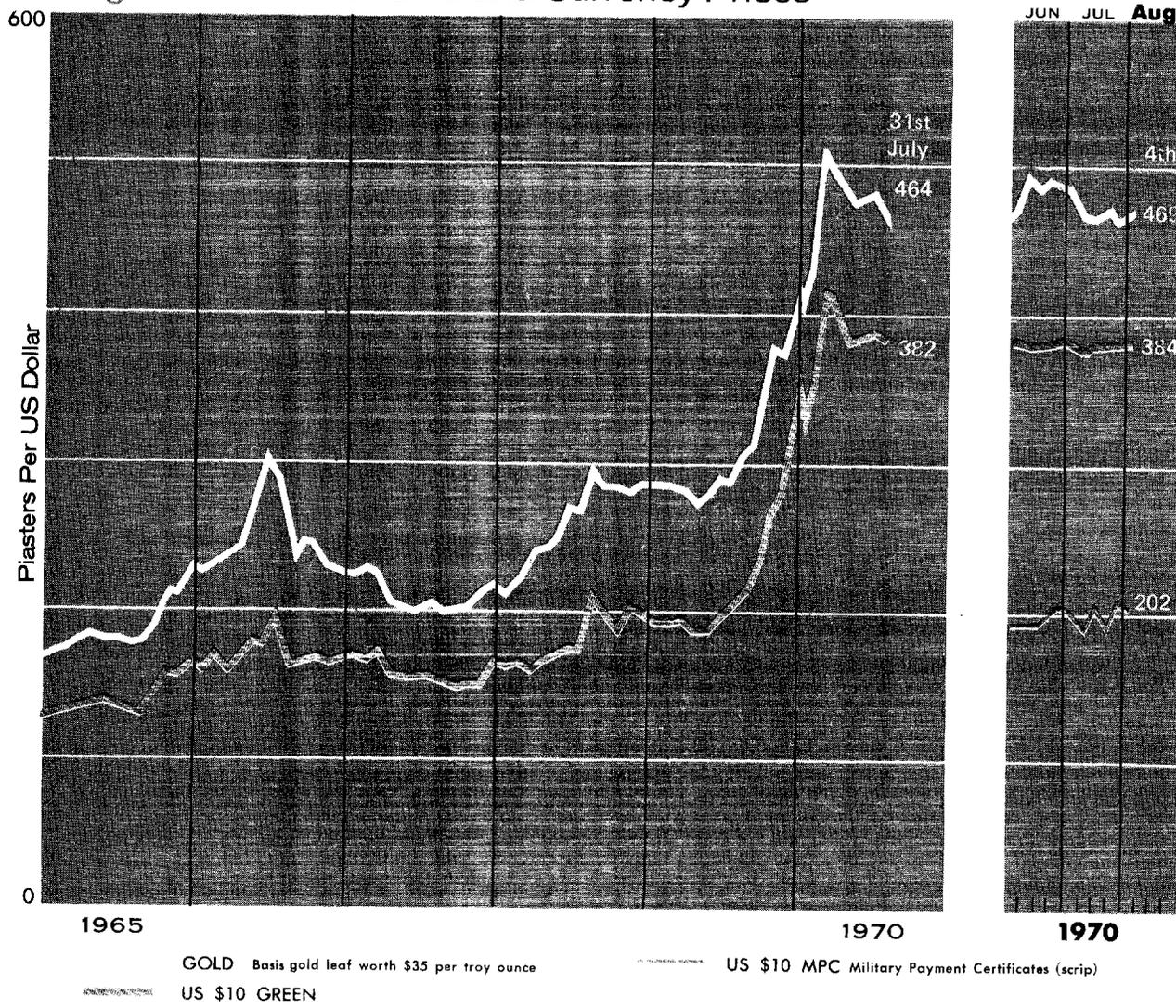
6. Retail prices in Saigon declined four percent during the two weeks ending 3 August--a rare event thus far this year. The decline reportedly was spread throughout the 32 food and nonfood items sampled for the USAID index. As of 3 August Saigon prices were an estimated 26 percent above the average price level of December 1969.

Currency and Gold

7. During the two weeks ending 4 August Saigon black market currency prices remained generally stable near the average price level of the past three months. On 4 August the price of dollars was 384 piasters per dollar compared with an average of 382 piasters during May-July. The rate for MPC (scrip) was 202 piasters per dollar on 4 August compared with the three-month average of 199 piasters. The price of a dollar's worth of gold leaf was somewhat less stable during May-July, but on 4 August was only three piasters higher than the July average of 466 piasters. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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Saigon Free Market Gold and Currency Prices



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